RONALD MCDONALD HOUSE AT STANFORD

DECEMBER 31, 2010

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Ronald McDonald House at Stanford

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Independent Auditors' Report

THE BOARD OF DIRECTORS
RONALD McDONALD HOUSE AT STANFORD
Palo Alto, California

We have audited the accompanying statement of financial position of **RONALD MCDONALD HOUSE AT STANFORD (the House)** as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the House's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the House's 2009 financial statements and, in our report dated July 15, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House at Stanford as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

June 27, 2011

Ronald McDonald House at Stanford

Statement of Financial Position

December 31, 2010 (with comparative totals for December 31, 2009)	2010	2009
Assets		
Cash and cash equivalents	$ 4,010,330	$ 3,244,737
Certificates of deposit	5,257,873	2,999,892
Pledges and other receivables, net	2,426,898	3,454,179
Lease contribution receivable	2,152,583	2,206,907
Prepaid expenses	29,248	44,415
Investments	15,150,616	13,828,991
Property and equipment, net	13,339,263	13,770,684
Total assets	$ 42,366,811	$ 39,549,805
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 6,868	$ 3,104
Accrued expenses	161,341	143,437
Total liabilities	168,209	146,541
Net Assets:		
Unrestricted:		
Operating	4,568,300	4,363,684
Board designated	1,745,739	841,370
Property	13,339,261	13,770,684
Total unrestricted	19,653,300	18,975,738
Temporarily restricted (see Note 8)	13,569,927	11,491,995
Permanently restricted (see Note 9)	8,975,375	8,935,531
Total net assets	42,198,602	39,403,264
Total liabilities and net assets	$ 42,366,811	$ 39,549,805

The accompanying notes are an integral part of this statement.

Ronald McDonald House at Stanford

Statement of Activities

Year Ended December 31, 2010 (with comparative totals for the year ended December 31, 2009)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Revenues, Gains and Other Support					
Contributions	$ 1,459,242	$ 1,321,719	$ 39,844	$ 2,820,805	$ 5,904,447
Special events revenues:					
Sponsorships and participants	1,284,176	111,000		1,395,176	1,266,525
In-kind	300,359			300,359	214,383
Less: Direct benefit costs	(136,722)			(136,722)	(150,060)
Net revenue from special events	1,447,813	111,000		1,558,813	1,330,848
Interest and dividends	42,313	428,721		471,034	485,225
Donated goods and services	311,240	174,564		485,804	583,991
Room donations	65,573			65,573	78,430
Program service revenue	133,302			133,302	164,392
Other income	6,651			6,651	5,580
Net assets released from restrictions	1,056,282	(1,056,282)			
Total revenues	4,522,416	979,722	39,844	5,541,982	8,552,913
Expenses					
Program expenses:					
Disbursed	1,896,557			1,896,557	1,801,668
In-kind	533,017			533,017	626,088
Total program expenses	2,429,574			2,429,574	2,427,756
Fundraising expenses:					
General solicitation					
Disbursed	578,517			578,517	567,263
In-kind	3,173			3,173	2,222
Special events					
Disbursed	247,639			247,639	217,809
In-kind	298,828			298,828	215,334
Total fundraising expenses	1,128,157			1,128,157	1,002,628
Management and administrative expenses	311,998			311,998	295,115
Total expenses	3,869,729			3,869,729	3,725,499
Change in Net Assets before Net Investment Income	652,687	979,722	39,844	1,672,253	4,827,414
Net realized and unrealized gain on investments	24,875	1,098,210		1,123,085	1,724,723
Change in Net Assets	677,562	2,077,932	39,844	2,795,338	6,552,137
Net Assets, beginning of year	18,975,738	11,491,995	8,935,531	39,403,264	32,851,127
Net Assets, end of year	$ 19,653,300	$ 13,569,927	$ 8,975,375	$ 42,198,602	$ 39,403,264

The accompanying notes are an integral part of this statement.

Ronald McDonald House at Stanford

Statement of Functional Expenses

Year Ended December 31, 2010 (with comparative totals for the year ended December 31, 2009)

	Program Services	Fundraising	Management and Administrative	Total 2010	Total 2009
Salaries	$ 622,303	$ 252,065	$ 171,657	$ 1,046,025	$ 983,891
Payroll taxes and benefits	146,755	59,443	40,481	246,679	205,915
Total salaries, payroll taxes and benefits	769,058	311,508	212,138	1,292,704	1,189,806
Depreciation	418,017	4,189	9,215	431,421	448,321
Special events - all other costs		247,639		247,639	217,809
Other fundraising events		28,357		28,357	32,934
Cleaning service and supplies	155,830	1,561	3,435	160,826	130,034
Insurance	58,536	587	1,290	60,413	98,576
Printing and supplies	88,576	111,152	2,956	202,684	186,184
Utilities	114,795	1,150	2,531	118,476	109,336
Professional fees	93,762	13,333	51,161	158,256	171,028
Repairs and maintenance	63,113	612	1,345	65,070	52,208
Public relations and newsletter	44,727	1,971	1,342	48,040	59,904
Telephone	22,762	228	502	23,492	27,362
Outside contractors	30,100	17,177	6,738	54,015	53,467
Hotel accommodations	4,608			4,608	6,180
Meetings and training	9,393	3,804	2,591	15,788	13,617
Rentals	5,944	2,408	1,640	9,992	8,590
Postage	4,375	1,772	1,207	7,354	11,156
Taxes and fees	5,733	3,584	113	9,430	10,401
Other	7,228	75,124	8,905	91,257	50,053
Total before in-kind expenses	1,896,557	826,156	307,109	3,029,822	2,876,966
In-kind expenses:					
Rent	221,777	2,222	4,889	228,888	228,888
Other	311,240	299,779		611,019	619,645
Total in-kind	533,017	302,001	4,889	839,907	848,533
	$ 2,429,574	$ 1,128,157	$ 311,998	$ 3,869,729	$ 3,725,499

The accompanying notes are an integral part of this statement.

Ronald McDonald House at Stanford

Statement of Cash Flows

Year Ended December 31, 2010 (with comparative totals for the year ended December	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	$ 2,795,338	$ 6,552,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	431,421	448,321
Bad debt expense, net of recovery of bad debt	2,000	
Unrealized gain on long-term investments	(974,163)	(1,853,338)
Realized gain on long-term investments	(163,695)	128,615
Donated stocks, excluding those included in capital campaign	(113,648)	(99,703)
Contributions restricted for capital campaign	(1,421,860)	(3,875,810)
Disposal of property and equipment		1,697
Additions to permanently restricted funds	(39,844)	(41,171)
Rent expense in-kind	228,889	228,889
Amortization of discount on lease contribution receivable	(174,565)	(178,730)
Changes in operating assets and liabilities:		
Receivables, other than capital campaign	47,664	(148,602)
Prepaid expenses	15,167	6,606
Accounts payable and accrued expenses	21,668	(41,127)
Net cash provided by operating activities	654,372	1,127,784
Cash Flows from Investing Activities:		
Purchase of short-term certificates of deposit	(2,257,981)	(2,999,892)
Purchase of investments	(16,103,535)	(11,081,689)
Proceeds from the sale of investments	17,529,984	11,686,397
Purchase of property and equipment		(14,129)
Net cash used by investing activities	(831,532)	(2,409,313)
Cash Flows from Financing Activities:		
Capital campaign contributions received in cash	902,909	120,559
Additions to permanently restricted net assets	39,844	41,171
Net cash provided by financing activities	942,753	161,730
Increase in Cash and Cash Equivalents	765,593	(1,119,799)
Cash and Cash Equivalents, beginning of year	3,244,737	4,364,536
Cash and Cash Equivalents, end of year	$ 4,010,330	$ 3,244,737

Supplemental Disclosure of Cash Flow Information:

No payments for interest or income taxes were made during 2010 and 2009.

Supplemental Noncash Investing and Financing Activities:

During 2010 and 2009, the House received donated goods and services worth $485,804 and $583,040, respectively, for programs and $298,828 and $215,334, respectively, for fundraising events.

During 2010 and 2009, the House received donated securities valued at $1,520,965 and $487,005, respectively, for the capital campaign.

The accompanying notes are an integral part of this statement.

Note 1 - Description of the Organization:

Ronald McDonald House at Stanford (the House) was organized in 1978 for the purpose of providing low-cost temporary housing for children with life-threatening illnesses and their families who live in other communities but are receiving specialized medical treatment at nearby hospitals. The House previously operated under the name Children's Hospital at Stanford Family Center. In September 1996, the Board of Directors amended the articles of incorporation, changing the name to Ronald McDonald House at Stanford. Since the House opened in 1979, the donation requested from the families has remained at a modest $10 per night and no family is ever turned away due to inability to pay. The House is located in Palo Alto, California.

The little ones coming for treatment have a variety of life-threatening conditions that often require intensive invasive procedures including solid organ transplants (heart, liver, kidney, lung, etc.); cancer treatments, including bone marrow and stem cell transplants; and neurological surgery. Of the families who stayed at the House in 2010, 71% came from California, 27% traveled from other states, and 2% are from other countries around the world. Ronald McDonald House at Stanford is the only organization offering specially-designed, communal housing to families with children being treated at Lucile Packard Children's Hospital (the Hospital).

Forty-seven guestrooms offer families a place to stay that is designed to meet their specific needs during this challenging time. The House features a Children's Activity Room, Teen Recreation Center, Computer Center, family library, and fitness center. Shared areas such as a large kitchen and dining room, TV rooms on each floor and a multi-purpose "great room" create a sense of community among the families. Additional benefits offered through the House help families with everyday tasks that could otherwise be daunting: shuttles to and from the hospital, free laundry facilities, group shopping trips, breakfast provided seven days a week, and dinners prepared by corporate and community groups at least five nights a week.

Programs offered to the families staying at the House include activities that provide the families, patients and siblings alike an opportunity to enjoy common family activities that they would likely do in their own home. These activities are led by volunteers and include Art from the Heart, Bingo Night, birthday celebrations, Furry Friends pet-assisted therapy, movie nights, gardening, Quilts of the Heart, scrap-booking, and arts and crafts. Relaxation and healing opportunities are provided through weekly massages and hair cuts.

The Day Pass program invites families whose children are being treated at the Hospital to enjoy the comfort and amenities of the House during the day. Families can take advantage of the community kitchen, TV rooms, library, laundry facilities, showers, computers and Wi-Fi, Children's Activity Room, family activities and the Meals for Munchkins program. Currently, day passes are offered Monday through Friday.

The "Happy Wheels" cart attends to families at the Hospital, bringing them a slice of what the House is best known for – comfort and a little bit of fun. The cart circulates through the common areas at the hospital on morning and evening shifts during the week. Happy Wheels provides hot beverages, snack service, and hygiene kits while keeping the little ones entertained with books, fun activities and toys.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

b. Description of Net Assets

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Temporarily Restricted Net Assets - the portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the House.

Permanently Restricted Net Assets - the portion of net assets which use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the House.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term, highly liquid investments with original maturity dates of three months or less and excludes cash held in managed investment accounts.

d. Certificates of Deposit

As part of its cash management policy, the House, from time to time, maintains a portfolio of certificates of deposit with maturities from six to 24 months.

e. Pledges Receivable

Unconditional promises to give are recorded at their net realizable value. If such promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows using a market rate.

f. Lease Contribution Receivable

As discussed in Note 3, the House and its facilities are located on a leased parcel of land for which the rental payments are significantly discounted. During 2006, the House obtained an independent appraisal of the value of the lease and has recorded it as a lease contribution receivable on the Statement of Financial Position. The receivable has been discounted to its net present value.

g. Investments

Investments consist of money market funds, marketable equity securities and debt securities and are stated at fair values using quoted market prices. Unrealized and realized gains and losses are reflected in the Statement of Activities.

h. Property and Equipment

Property and equipment are recorded at cost, if purchased, and at estimated fair value, if donated, provided there is an objective basis for determining the value. Depreciation is calculated on the straight-line basis using an estimated useful life of 5 to 7 years for furniture and equipment and 30 and 39 years for the renovated and new buildings, respectively.

Expenditures for major renewals and betterments are capitalized, while expenditures for maintenance and repairs, which do not improve assets or extend their useful lives, are charged to expense as incurred. When property is retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

i. Revenue Recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the House. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Special event revenue is recognized when the event is held. Goods and services donated for the special events are recognized as in-kind revenue and expense at their estimated fair value on the date donated. Non-in-kind program and fundraising expenses are shown as “Disbursed” on the Statement of Activities.

Donated stock, materials and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

The House is the beneficiary under various wills and trust agreements. Such amounts are recognized in the House's financial statements as bequests receivable and planned gifts when clear title is established and the proceeds are measurable. As of December 31, 2010 no bequests receivable have been recorded.

j. Volunteer Services

For the year ended December 31, 2010, the House benefited from approximately 11,100 hours of volunteer assistance. The value of this contributed time is not reflected in these financial statements because the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605-25, *Contributions Received* have not been met.

k. Expense Allocation

The costs of the House's various activities have been summarized on a functional basis in the Statement of Functional Expenses. Certain costs have been allocated among the different functions based on management's estimates.

l. Income Taxes

The House has been granted tax-exempt status under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, the House has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The House follows FASB ASC Topic 740 Income Taxes to account for uncertain tax positions. Management has concluded that the House has taken no uncertain tax positions that would require adjustment to the statement of position to comply with provisions of this guidance.

m. Fair Value of Financial Instruments

The House has adopted FASB ASC Topic 820, Fair Value Measurements. ASC Topic 820 applies to all financial assets and liabilities that are measured and reported on a fair value basis and requires such assets to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurements:

Level 1 — Quoted prices unadjusted in active markets for identical assets or liabilities.

Level 2 — Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 — Unobservable inputs that are not corroborated by market data.

n. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

o. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the House's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

p. Subsequent Event

The House evaluated subsequent events through June 27, 2011, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Lease Contribution Receivable:

The House and its facilities are located on a leased parcel of land in Palo Alto, California. The terms of the lease require an annual rental payment of $1.00 through the year 2028. The House applies FASB ASC Topic 958-605-55-24, which requires the House to recognize as revenue and a contribution receivable the difference between the fair rental value of the property and the stated amount of the lease payment. A lease contribution receivable has been recorded as follows as of December 31, 2010 and 2009:

	2010	2009
Current portion of lease contribution receivable	$ 228,889	$ 228,889
Noncurrent portion of lease contribution receivable	3,776,672	4,005,556
Less: discount to net present value	(1,852,978)	(2,027,538)
Noncurrent portion of lease contribution receivable, net	1,923,694	1,978,018
	$ 2,152,583	$ 2,206,907

Note 4 - Pledges and Other Receivables:

As of December 31, 2010 and 2009, receivables consist of the following:

	2010	2009
Capital campaign	$ 2,471,501	$ 3,595,411
Permanently restricted purposes	125	390
Other unrestricted purposes	134,478	181,877
Total receivables	2,606,104	3,777,678
Less allowance for doubtful accounts	(100,860)	(143,816)
Less discount to net present value	(78,346)	(179,683)
Total net receivables	$ 2,426,898	$ 3,454,179

Net receivables are anticipated to be collected as follows:

	2010	2009
Within 1 year	$ 1,819,609	$ 2,084,470
Within 1 to 5 years	607,289	1,369,709
Total net receivables	$ 2,426,898	$ 3,454,179

During the year ended December 31, 2009 the House received a conditional promise to give from a donor in the amount of $1,000,000. This grant will be awarded upon the House raising certain funds as part of the Capital Campaign. As sufficient funds have not yet been raised, this gift has not been recognized in the Statement of Activities.

Note 5 - Investments:

Investments are comprised of the following at December 31, 2010 and 2009:

	2010		
	Fair Value	Cost	Unrealized Gain (Loss)
Money market funds	$ 1,141,682	$ 1,141,682	
Debt securities	4,509,974	4,562,236	$ (52,262)
Equity securities	9,498,960	9,092,000	406,960
Total investments	$ 15,150,616	$ 14,795,918	$ 354,698

	2009		
	Fair Value	Cost	Unrealized Gain (Loss)
Money market funds	$ 710,516	$ 710,516	
Debt securities	4,072,544	4,014,905	$ 57,639
Equity securities	9,045,931	9,595,555	(549,624)
Total investments	$ 13,828,991	$ 14,320,976	$ (491,985)

Note 6 - Fair Value Measurements

In accordance with FASB ASC Topic 820, financial instruments measured at fair value at December 31, 2010 as follows:

	Level 1	Level 2	Total
Certificates of deposit		$ 5,257,873	$ 5,257,873
Investments			
Money market funds	$ 1,141,682		1,141,682
Debt securities	2,516,212	1,993,762	4,509,974
Equity securities	9,498,960		9,498,960
Total investments	$ 13,156,854	$ 1,993,762	$ 15,150,646
Total financial instruments	$ 13,156,854	$ 7,251,635	$ 20,408,489

Note 7 - Property and Equipment:

At December 31, 2010 and 2009, property and equipment and accumulated depreciation are as follows:

	2010	2009
Building	$ 17,167,020	$17,167,020
Furniture and equipment	678,971	687,191
Artwork	53,252	53,252
	17,899,243	17,907,463
Less accumulated depreciation	(4,559,980)	(4,136,779)
	$ 13,339,263	$13,770,684

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted as follows at December 31, 2010 and 2009:

	2010	2009
Lease contribution receivable, net	$ 2,152,583	$ 2,206,902
Capital campaign	5,764,555	4,464,210
To be expended in future periods	122,770	204,655
Earnings on endowment net	5,530,019	4,616,228
	$ 13,569,927	$11,491,995

Net assets were released from restrictions during 2010 and 2009 for the following purposes:

	2010	2009
Recognition of donated lease	$ 228,889	$ 228,889
Other time restrictions	188,500	154,331
Other capital campaign costs	25,753	
Appropriation from endowment	613,140	621,431
	$ 1,056,282	$ 1,004,651

Note 9 - Endowment:

The House's endowment consists of three donor restricted funds established for the benefit of the House; the Kroc Fund, the Children's Legacy Fund and the Program Endowment Fund. The Kroc Fund consists of a $500,000 gift from Joan B. Kroc. The Children's Legacy Fund (CLF) began as a gift from the David and Lucile Packard Foundation. The CLF requires that the initial funds be preserved and allows donors to stipulate a permanent restriction on all memorial and planned gifts. Contributions placed in this fund during the year ended December 31, 2010 amounted to $39,844. The Program Endowment Fund consists of contributions to a prior capital campaign that donors gave permission to be transferred to a permanent endowment fund.

As required by Generally Accepted Accounting Principals (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor- imposed restrictions. All endowment gifts stipulate that the principal remain intact and that investment earnings be expended on House operations.

The permanently restricted net assets of these funds consist of the following on December 31. 2010:

Kroc Endowment Fund	$ 500,000
Children's Legacy Fund	6,225,360
Program Endowment Fund	2,250,015
	$ 8,975,375

Interpretation of Relevant Law

The Board of Directors of the House has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the House classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Return Objectives and Risk Parameters

The House has adopted investment and spending policies for endowment assets with the philosophy that the House is to exist in perpetuity, and therefore, should provide for spending in perpetuity. To attain this goal, the overriding objective of the House is to maintain purchasing power while preserving the endowment corpus. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow the aggregate portfolio value at the rate of the Bay Area Consumer Price Index plus 4.5% over the House's investment horizon while assuming a moderate level of investment risk. The House expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the House relies on a total return strategy in which investment returns are achieved through both capital and appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The House has a policy that provides the Board of Directors the discretion to spend up to 4.5% of the three year rolling average of the actual fund's value. In establishing this policy, the House considered the long-term expected return on its endowment. Accordingly, over the long term, the House expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The House appropriated $613,140 during the year ended December 31, 2010 for expenditure on operations.

Changes in endowment net assets for the year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 0	$ 4,616,228	$ 8,935,531	$ 13,551,759
Investment income		428,721		428,721
Net realized and unrealized gain on investment		1,098,210		1,098,210
Total investment return		1,526,931		1,526,931
Contributions, net			39,844	39,844
Amounts appropriated for expenditure		(613,140)		(613,140)
Endowment net assets, end of year	$ 0	$ 5,530,019	$ 8,975,375	$ 14,505,394

Note 10 - Fundraising Costs:

Denim to Diamonds and the Randy Cross Invitational are the two major fundraising events which are held annually along with various other special events. Including event associated contributions, total proceeds from special events were $1,695,535 and $1,480,908 in 2010 and 2009, respectively and associated expenses were $684,719 and $582,252 in 2010 and 2009, respectively. Included in these revenue and expense amounts are $300,359 and $214,383 of in-kind contributions of goods and services provided as an integral part of these events. Net proceeds from these events were $1,010,816 and $898,656 in 2010 and 2009, respectively.

Note 11 - Retirement Plan:

The House maintains a profit sharing plan for employees who are eligible after 12 months of service. The House generally contributes 5% of eligible employees’ compensation beginning with their respective plan entry date. The House made contributions of $59,509 and $38,543 to the plan for the year ended December 31, 2010 and 2009, respectively.

The House also maintains a tax deferred 403(b) plan for all eligible employees. The House makes no contributions under the plan, and all of the costs of the plan's administration were paid for by participants during the years ended December 31, 2010 and 2009.

Note 12 - Concentrations of Risk:

The House has defined its financial instruments which are potentially subject to credit risk as cash, receivables, short-term certificates of deposit and investments.

At December 31, 2010 and 2009, the House had cash deposits in excess of federally insured limits. Pledges receivable are due from various individuals which mitigate the risk associated therein. Approximately $1,476,000 and $494,000 of net pledges receivable are due from Board members and staff at December 31, 2010 and 2009, respectively. Investments are subject to a formal investment policy.

The majority of the House's revenue is from public and private donations, along with several fundraising events scheduled throughout the year. The success of these events could vary from year to year.

The House received approximately $202,000 and $882,000 in donations from Board members and staff in 2010 and 2009, respectively.

Note 13 - Long-Term Housing Needs:

While the House served 554 families in 2010, the facility is not able to serve all of the families of seriously ill children who need housing. During 2010, an average of 12 families each night were housed off-site due to a lack of rooms and it is anticipated that the 100 additional beds planned in Lucile Packard Children's Hospital's expansion will further impact the number of families seeking housing locally. Since 2006, the Board of Directors and a special Task Force have been working to get a clear picture of the current and future needs of the families at the House. Included in this effort is finding a long-term solution that allows the House to welcome every referred family to a room in this home-away-from-home, as well as to continue to provide the House services as effectively as possible. In 2010, included in the Statement of Activities is approximately $58,000 of professional fees related to finding a long-term solution to meet all current and projected housing needs.